

BEFORE THE
TENNESSEE STATE BOARD OF EQUALIZATION

In Re:

Jerry L. & Deborah B. Browning
District D2, Block 20P, Parcel B21
Residential Property
Tax year 2005

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Shelby County

INITIAL DECISION AND ORDER

Statement of the Case

The Shelby County Board of Equalization (“county board”) has valued the subject property for tax purposes as follows:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$34,800	\$140,200	\$175,000	\$43,750

On December 28, 2005, the State Board of Equalization received an appeal by the property owners.

The undersigned administrative judge conducted a hearing of this matter on February 21, 2006 in Memphis. In attendance at the hearing were the appellant, Jerry L. Browning, and Shelby County Property Assessor’s representative Teri Brandon.

Findings of Fact and Conclusions of Law

This appeal concerns a one-story, 2,465-square-foot house located at 8861 Woodmark Drive in Cordova. Built in 1987, this brick veneer home includes central heating & air conditioning units and a two-car garage.

The Assessor originally valued the subject property at \$182,400 in tax year 2005 (a year of reappraisal in Shelby County). Upon consideration of the owners’ complaint pursuant to Tenn. Code Ann. section 67-5-1407, the county board reduced the appraisal to \$175,000.

In this appeal from the county board’s decision, Mr. Browning requested a value of about \$160,000. At the hearing, he introduced a list of nine purportedly comparable properties in the vicinity that sold during the 2003-04 period at prices from approximately \$58 to \$69 per square foot. The appellant also submitted photographs showing various physical defects (including a cracked driveway; worn-out carpet; and a patched, 19-year-old roof). Based on his consultations with local contractors and real estate professionals, Mr. Browning projected that the cost of curing such deterioration would be upwards of \$25,000.

Ms. Brandon’s comparative sales data, on the other hand, indicated a value range of about \$71-\$75 per square foot for the subject property.¹ She speculated that the county board may have factored the estimated cost of a new roof (\$6,175) into its determination of value.

¹All five of the Assessor’s comparables were somewhat newer homes.

Tenn. Code Ann. section 67-5-601(a) provides (in relevant part) that “[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values....”

Since the taxpayers seek to change the present valuation of the subject property, they have the burden of proof in this administrative proceeding. State Board Rule 0600-1-.11(1).

It is questionable whether the expenditure of some \$25,000 on maintenance of the subject property would have been economically feasible on the January 1, 2005 reappraisal date (i.e., would have resulted in an equal or greater increase in the value of such property). In any event, the estimated cost of repairs and replacements cannot properly be deducted from the current *appraised value* of a property under appeal; for that methodology would beg the question of whether the disputed appraisal takes all accrued depreciation into account. Rather, in the cost approach to value, the estimated amount of depreciation is deducted from the *replacement (or reproduction) cost new* of the subject property as of the appraisal date.

The comparable sales identified by the parties suggest that the subject property is worth somewhere between \$63 and \$75 per square foot.² In the opinion of the administrative judge, given the age and apparent condition of the appellants' residence, it probably belongs just below the midpoint of this range at, say, \$68 per square foot. The resulting value is \$167,600 (after rounding).

Order

It is, therefore, ORDERED that the following values be adopted for tax year 2005:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$34,800	\$132,800	\$167,600	\$41,900

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal “**must be filed within thirty (30) days from the date the initial decision is sent.**” Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the

²The \$58-per-square-foot sale cited by the appellant (8860 Woodmark Drive) involved a much larger house than the subject. As stated in an authoritative textbook, “[s]ale price per square foot usually decreases as square feet increase, so the price of the comparable may be adjusted upward.” International Association of Assessing Officers, Property Appraisal and Assessment Administration (1990), p. 162.

appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or

- 2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 10th day of March, 2006.

PETE LOESCH
ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF STATE
ADMINISTRATIVE PROCEDURES DIVISION

cc: Jerry L. & Deborah B. Browning
Tameaka Stanton-Riley, Appeals Manager, Shelby County Assessor's Office
Rita Clark, Assessor of Property

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